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Eric B. Herr
Vice President-Economics

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CAPITAL SPENDING CHECK-UP AND FINANCING SURVEY

After responding to recession in 1980 by keeping a tight rein on capital spending, American business--sensing a good year ahead--plans to loosen up in 1981: Compared to 1980, companies intend to raise expenditures for plant and equipment this year by 12.3%. With inflation taken out of the planned spending boost, "real" expenditures are expected to rise by 2%, not good by historical standards but considerably better than many economic forecasters are currently anticipating. Realization of these plans would also mark an improvement over 1980 in that real plant and equipment expenditures showed no increase at all last year.

In addition to current intentions to buy capital goods, passage of President Reagan's proposed business tax cuts could tack another half a percentage point (about $1.7 billion) to the planned spending increase this year. That would raise plant and equipment expenditures in 1981 to more than $301 billion.[1] Next year, the tax cut would spur an additional $6 billion in expenditures.

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[1]Capital expenditure figures in this report are not comparable to figures in previous capital spending reports because the U.S. Commerce Dept. has substantially revised the historical spending series. Also, the historical data now published by the Commerce Dept. includes a category called "personal business, and professional services," which was not included in the Capital Spending Check-Up Survey. Consequently, the dollar figures published in this report do not include expenditures of that category, which in 1979 were $27 billion.

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These are the key findings of McGraw-Hill's Capital Spending Check-Up and Financing Survey, conducted in January and early February. About 480 firms accounting for 36% of the nation's capital spending responded to the survey, which covers expenditures in the U.S. only. Company responses were "blown up" so that the dollar figures in the text and in Table I represent spending by all firms, not just those in the survey.

Will Capital Spending Spur the Recovery?

The standard economic forecast for 1981 calls for a decline in real capital spending of about 2%, which in turn will help keep overall economic growth down to perhaps +1.5% this year. However, firms responding to the Capital Spending Check-Up and Financing Survey say they plan to boost plant and equipment expenditures by much more. In current-dollar terms (inflation included), business plans to hike expenditures by 12.3% this year to nearly $300 billion (Table I). With plant and equipment prices expected to jump by 10.1% (Table II), it means that real capital spending will rise by about 2% in 1981 (Table II), if expectations are met. If such a spending increase materializes, the recovery would be stronger than most economists currently anticipate.

Moreover, capital spending is potentially even a bit stronger than reported in Table I because those figures for the most part do not reflect the impact of business tax cuts. The Capital Spending Check-Up survey was conducted in January and February, and most cooperators responded before President Reagan's Feb. 18 speech on the economy in which he presented the Administration's tax proposals. Though the business tax cut proposal--the so-called "10-5-3" plan retroactive to

Jan. 1--was long in the air as a trial balloon, only 17% of companies responding to the survey had assumed its passage by mid-1981 in making capital spending plans for the year (Table III). In other words, the large majority of respondents--and thus, presumably, the large majority of firms in the country--have yet to factor a pro-investment tax cut into their 1981 capital budgets.

If, in fact, the President's proposals do get through Congress by midyear, firms that have not yet taken tax cuts into account would boost their capital expenditure plans this year by 0.7% (Table III). With 83% of companies raising spending by 0.7%, the implication is that total plant and equipment expenditures would rise by roughly an additional 0.6% this year. That increase would lift proposed 1981 spending from nearly $300 billion to $301.1 billion--13% above 1980's level, and 2.6% greater in real terms..

Looking outside the survey, other evidence is also pointing to relative strength in capital spending: New orders for nondefense capital goods, a key harbinger of future equipment purchases, leaped at a 16% annual rate in the final quarter of last year, and then surged again in January of this year; meanwhile, construction contracts for commercial and industrial buildings, as compiled by F.W. Dodge, have racked up hefty gains in recent months. (The January figure dipped from December, but was still at a high level compared to most months of 1980.)

And yet, it is still reasonable to doubt that spending can be as strong as the indicators and the survey say it is: For example, capacity utilization--though on the rise--is still low, and interest rates--while on the decline--are still high. Why should companies want to invest?

Aside from the fact that certain industries--autos and petroleum, for example--have special incentives to invest--to catch the Japanese and to find more oil--business in general may want to spend because it is relatively optimistic about the future. True, the economy cracked last year, but the pieces were very quickly reassembled, and growth resumed after just one quarter of decline. Corporate confidence in the near-term, therefore, may have been restored, as suggested by the survey respondents' projection of a cash flow jump in 1981 (Table IV). In particular, industries that were depreseed in 1980 like autos and airlines expect a strong rebound this year, as indicated by their cash flow projections.

Defined for purposes of the survey as the change in retained earnings plus depreciation charges, cash flow in 1980 advanced by less than 7%--by less, that is, than the rate of inflation. Hence, not only did weak demand for products (resulting in excess capacity) deter industry from investing last year, but even companies with the will to invest were often constrained by lack of internally generated funds. At the same time, if business sought funds externally, it for the most part faced extraordinarily high interest rates.

Gazing into its crystal ball, business expects cash flow to surge by 19% in 1981--a strong gain even after inflation is taken out, and a gain which would be even stronger if the Reagan tax cuts are passed. Thus, in 1981 firms figure they will be in better shape to take on the heavy financial obligations that capital projects entail.

The expectation that cash flow will improve this year is also reflected in company plans to increase somewhat the percent of capital expenditures financed internally (Table V). Last year, according to

companies in the survey, almost 72% of financing was done with internal resources. In 1981, business intends to finance more than 74% of its expenditures internally. The difference between the numbers, however, is not very significant, and indicates no change in the internal financing patterns of recent years.

The small difference between the 1980 and 1981 figures does suggest that even with increased reliance on internal financing in 1981, business this year will be seeking more funds from the capital markets than last year due to the planned 12.5%-13% rise in capital spending. Given that the federal government's fiscal 1981 budget deficit is expected to come in at about $55 billion, and that the Federal Reserve will not ease up on the money supply, the implication is that interest rates will remain under pressure--they may dip somewhat, but the bottom will be well off the ground. Acceptance of the notion that interest rates probably will not drop like they did last summer may cause many firms to stop playing the waiting game and to go ahead with their capital projects.

Table VI, for example, shows that nearly one-third of survey respondents intend to go to the bond market for their major financing in 1981--despite the fact that when the survey was taken the average corporate bond was carrying an interest rate of about 14%. By way of contrast, in a survey taken last year at this time, only 18% of companies said they would be considering the bond market their major source of financing in 1980. Last year, 48% of companies were looking primarily to the banks for financing, while 40% cited banks as the major source of funds this year. A greater proportion of companies this year--5% versus 2% in 1980--also said the stock market would provide the biggest chunk of their financing. Fewer companies plan to rely on insurance company financing--5% in 1981 compared to 11% in 1980--but the

overall pattern seems to be one of firms switching from short-term to long-term sources of external funding. If, in fact, this is the pattern, it suggests that American business is ready to seek the long-term financing needed for long-term capital projects, even if that financing is expensive by historical standards.

Finally, although this discussion has been couched in terms of capital spending projections being relatively strong, the appropriate question is--strong compared to what? They are strong compared to most current forecasts. But a 2% gain in real capital spending is not strong compared to most years (in 1979, for example, inflation-adjusted spending rose by nearly 8%); and it is not strong when considering that, even if plans are met, capital expenditures in 1981 will represent only an average 1% per year gain over 1979. In short, capital investment has a very long way to go if Reagan Administration hopes for revitalizing industry are to be realized.

The Industrial Mix: Oil Lights the Way

As in all recent capital spending surveys, the petroleum industry stands out--not only because of the volume of its spending, but also because of the large increases in that spending. While all of manufacturing plans to boost plant and equipment expenditures by 13.2% to $130.1 billion in 1981, without petroleum that projected advance would be reduced to an 8.7% gain to $102.8 billion. The percent gain for all business would be reduced from 12.3% to 10.5%.

More generally, nondurable goods producers plan a bigger pickup in capital spending this year than do manufacturers of durable goods. This pattern is typical in a recovery, since durables producers usually get hit harder during recession and thus have greater spare capacity on their hands and less cash in their pockets. The 1979-80 cash flow changes in Table IV support the claim about cash--cash flow declined a bit in the durables sector while it grew by 11.6% in the nondurables sector. As to spare capacity, McGraw-Hill's operating rates data show that as of January durable goods manufacturers were operating at 75% of capacity versus 81% for nondurables.

Nonmanufacturing industries' performance, judging from the cash flow increase last year, was between that of the durables and the nondurables manufacturers. Not surprisingly, then, the planned capital spending increase of the nonmanufacturing sector is also between that of the two manufacturing sectors.

Within the various sectors, however, plans to buy new plant and equipment in 1981 diverge sharply. In the durables sector, the lead industry is nonferrous metals. Despite a fall in cash flow last year, nonferrous producers plan to boost capital spending by 22% this year, possibly as the result of operating at a high 86% of capacity. And the autos, trucks, and parts makers, though operating at an absymally low 59% of capacity and suffering a 45% plunge in cash flow last year, intend to jump their capital expenditures by more than 15% this year as they attempt to increase their competitiveness against foreigners. At the other end of the spectrum, the stone, clay, and glass industry--waiting for autos and for both residential and nonresidential construction to recover--is delaying adding to its capital stock this

year: Capital spending is targeted for a 20% decline. The aerospace industry, too, expects expenditures to fall this year, probably due to a decline in new orders--off about 5% from 1980.

Among nondurable goods manufacturers the leader, of course, is petroleum, which in addition to having the financial resources to invest and the need to find energy resources close to home, now has the added incentive of oil price decontrol. But besides petroleum, other nondurables manufacturers also plan big hikes in 1981 capital spending.

Perhaps most surprising is the 32% jump planned by the rubber industry, which suffered a 7.5% drop in cash flow last year. Nonetheless, the industry is optimistic about next year: Cash flow is expected to surge by more than 20%. And this optimism may be getting translated into capital spending requirements. But optimism notwithstanding, rubber's surge may be more apparent than real: Last year, rubber companies' capital spending plummeted by 18%. And even if this year's goal of $2.35 billion is met, rubber's bounceback will put industry spending only about 8% above the 1979 level--which translates into a decline of some 11% after inflation is taken out. Still, the planned comeback in rubber industry spending is dramatic compared to industry plans last fall, which called for 1981 spending to remain flat. Interestingly, a high percentage (29%) of rubber companies have already built a tax cut into their spending plans, and this may help account for the large increase in the industry's expectations.

The industry planning the biggest capital expenditure boost (30%) in the nonmanufacturing sector is gas utilities, which also happens to be operating at a high rate of capacity--87%. Somewhat surprisingly, electric utilities are planning a substantial 1981 hike of more than

12%, up from only 6.9% reported in the McGraw-Hill survey conducted last fall. And the utilities say that the proposed tax cuts will not affect their capital spending plans at all. On the other hand, electric utilities do anticipate a healthy jump in cash flow of 18% this year--so the rise in spending plans could reflect the same optimistic outlook that sparked the bullish cash flow projection. At the other end of the nonmanufacturing spectrum, the railroads expect a 4% fall in plant and equipment expenditures this year.

Spending in 1982: A Misleading Reading?

Capital spending in 1982, according to the survey, will be weak: At present, business plans to hike plant and equipment expenditures next year by only 6%, which will almost surely be below the 1982 inflation rate.

However, despite this discouraging preview of 1982 spending, several factors suggest that 6% is much too small a number. First, Table III indicates that with a business tax cut this year, 83% of firms would raise capital spending an additional 2.4%, so for the economy as a whole spending could be at least two percentage points higher than currently planned. Second, projections for more than one year ahead based on the capital spending surveys tend to be much too low, reflecting as they do the incomplete status of companies' future plans and the tendency of survey respondents to be conservative in estimating the final cost of capital projects budgeted more than one year in advance. As projects become more concrete, and as the time for actual outlays approaches, projected expenditures usually rise.

A third point may also be of some importance: The Reagan Administration expects the Treasury to lose about $17 billion in 1981 and 1982 due to the cut in business taxes. The survey, by contrast, suggests that business would up capital spending by only $10 billion in response to the cuts (assuming that, if the cuts were passed by July, all firms would raise spending by 0.7% this year and by 2.4% next year.) But once the tax cuts were passed into law and firms therefore knew for certain what the benefits would be, plans might be adjusted upward very quickly. For example, some firms that did not give a quantitative answer to the tax cut question did say they would match the tax reductions with capital spending boosts. Because the exact nature of the proposed tax cuts was unknown at the time the survey was taken, some companies also said they would adopt a wait-and-see position before deciding how much to change their capital spending plans. In short, given the uncertainty about the tax cuts, the survey probably understates the potential for capital spending to increase once the cuts become law. At the same time, the survey indicates that just because the Administration wants the cuts made retroactive to Jan. 1, it does not mean companies will jump to raise spending now on the assumption that Congress will approve the cuts in exactly the same form in which they were proposed.

In sum, spending plans for next year will likely rise as 1982 approaches. In the meantime, though, several industries already are planning big boosts in next year's purchases of plant and equipment. These are: autos, trucks, and parts (up 28%), nonferrrous metals (22%), and petroleum (16.5%).

By contrast, a few industries that have raised their 1981 plans (compared to the plans they reported in McGraw-Hill's fall survey), appear to be offsetting the 1981 increase wth a stepdown in 1982. For example, last fall the textile industry planned to hike 1981 spending by 12.9% and to reduce 1982 spending by some 4%. Now, the industry looks for 1981 spending to leap by 19.5%, but for 1982 spending in drop by 12.3%. The paper, rubber, and electric utility industries follow a similar pattern. The continued--and somewhat unexpected--growth of the economy in the third and fourth quarters of last year may be responsible for the speedup in some companies' timetables for bringing new plant and equipment on stream.

A Note on Revisions in the Spending Numbers

As indicated in the footnote on page 1 of this report, the U.S. Commerce Deprtment has sharply revised its data series on U.S. plant and equipment spending--the series that the McGraw-Hill surveys use as history. In 1979, for example, the previously published expenditure figure was $177.1 billion; the new 1979 figure is $270.5 billion--$93 billion more! A revision of this magnitude deserves some explanation.

The bigger capital spending numbers in part merely represent a few changes in definitions. For example, whereas expenditures by companies providing business, professional, and personal services were previously excluded from the Commerce Dept. numbers, they are now included; this added about $27 billion to the 1979 capital spending figures. Another example is special tooling by the auto industry (tooling linked to specific model years)--previously excluded, now included.

But in addition to covering more territory, the new plant and equipment sending figures also represent higher levels of spending by most of the industries that had always been included in the series. For example, chemical industry spending was revised upward by more than $2 billion in 1979. The textile figure jumped by more than 50%, and the new 1979 aerospace figure is two and a half times the old. The reason for these big revisions: The government took new information into account and re-evaluated old information; and the evidence pointed to higher levels of spending.

These new figures shine a brighter light on capital spending in general; in particular, they make business investment in the 1970s look less dismal than before. For those concerned with the near-term future, the new numbers also mean that capital goods markets are a lot bigger than previously thought, and thus percent changes in planned expenditures imply larger changes in dollar expenditures.

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NOTE: The "other durables" category in the tables includes lumber, furniture, jewelry, toys, transportation equipment other than autos and aerospace, and instruments. The instruments industry was formerly included with fabricated metals, but due to changes in U.S. Commerce Dept. industry classifications this industry's capital spending cannot be listed separately in Table I. However, other data on instruments derived from the survey is broken out in the tables.

"Other nondurables" includes apparel, tobacco, printing and publishing, and leather. The "communications and other" group contains transportation services other than railroads and airlines, and construction companies. The "commercial" category includes retail and wholesale trade, banks, holding companies, insurance companies, and hotels.

TABLE I

PLANS FOR CAPITAL SPENDING IN THE U.S.
(Billions of Dollars)

INDUSTRY	1980 Estimated	1981 Planned	1980-81 % Change	1982 Planned	1980-82 % Change
Iron & Steel	$ 3.37	$ 3.65	8.3%	$ 4.16	14.0%
Nonferrous Metals	3.05	3.73	22.3	4.55	22.0
Electrical Machinery	9.38	10.61	13.1	12.10	14.1
Machinery	11.52	12.50	8.5	13.39	7.2
Autos, Trucks & Parts	9.02	10.40	15.3	13.31	28.0
Aerospace	6.85	6.02	-12.1	5.24	-12.9
Fabricated Metals	3.03	3.53	16.5	3.48	- 1.5
Stone, Clay & Glass	3.77	3.02	-19.9	3.31	9.6
Other Durables	8.26	9.06	9.6	9.72	7.4
Instruments	NA	NA	20.4	NA	9.3
TOTAL DURABLES	58.25	62.52	7.3	69.26	10.8
Chemicals	12.77	14.40	12.8	15.18	5.4
Paper & Pulp	6.72	7.70	14.5	6.69	-13.0
Rubber	1.78	2.35	31.9	2.51	6.7
Petroleum	20.34	27.28	34.1	31.78	16.5
Food & Beverages	7.36	8.19	11.2	8.18	- 0.1
Textiles	1.61	1.92	19.5	1.69	-12.3
Other Nondurables	6.07	5.74	- 5.4	5.76	0.3
TOTAL NONDURABLES	56.65	67.58	19.3	71.79	6.2
TOTAL MANUFACTURING	114.90	130.10	13.2	141.05	8.4
Mining	13.50	15.03	11.3	16.22	7.9
Railroads	4.17	4.01	- 3.8	4.38	9.2
Airlines	3.97	4.34	9.3	4.63	6.7
Electric Utilities	27.44	30.85	12.4	30.58	- 0.9
Gas Utilities	7.18	9.07	26.3	9.80	8.0
Communications & Other	40.85	43.00	5.2	44.43	3.3
Commercial	54.55	62.94	15.4	66.34	5.4
ALL NONMANUFACTURING	151.67	169.24	11.6	176.38	4.2
ALL BUSINESS[a]	266.57	299.34	12.3	317.43	6.0

NOTES: Dollar amounts are rounded to two decimal places. Percent changes are calculated from unrounded data. Dollar figures represent total industry capital expenditures, not just the expenditures of companies responding to the survey. The source for 1980 expenditures is the U.S. Commerce Dept.

[a]Excludes personal, business, and professional services.

NA--Not available.

TABLE II

INFLATION EXPECTATIONS

INDUSTRY	Expected % Change in Plant & Equipment Prices 1980-81	Expected % Change in "Real" Capital Spending 1980-81[a]
Iron & Steel	9.0%	- 0.6%
Nonferrous Metals	10.4	10.8
Electric Machinery	10.2	2.6
Machinery	11.4	- 2.6
Autos, Trucks & Parts	10.0	4.8
Aerospace	11.4	-21.1
Fabricated Metals	11.6	4.4
Stone, Clay, & Glass	10.2	-27.3
Other Durables	10.4	- 0.7
Instruments	10.7	8.8
TOTAL DURABLES	10.6	- 3.0
Chemicals	10.8	1.8
Paper & Pulp	11.0	3.2
Rubber	11.6	18.2
Petroleum	10.3	21.6
Food & Beverages	9.9	1.2
Textiles	10.7	7.9
Other Nondurables	8.4	-12.7
TOTAL NONDURABLES	10.3	8.2
TOTAL MANUFACTURING	10.4	2.5
Mining	9.7	1.5
Railroads	11.2	-13.5
Airlines	10.9	- 1.4
Electric Utilities	10.1	2.1
Gas Utilities	11.8	13.0
Communications & Other	8.7	- 3.2
Commercial	10.3	4.6
ALL NONMANUFACTURING	9.9	1.5
ALL BUSINESS	10.1	2.0

[a]Percent change in capital spending from Table I adjusted for expected capital goods inflation from first column of Table II.

TABLE III

THE REAGAN TAX CUT

INDUSTRY	% of Firms in Survey Whose Capital Spending Plans Assume a Tax Cut	% Capital Spending Would Increase Among Firms Not Yet Assuming Tax Cut 1981	1982
Iron & Steel	6.3%	0.7%	0.0%
Nonferrous Metals	37.5	0.0	0.0
Electric Machinery	25.0	0.1	3.9
Machinery	31.6	3.4	5.3
Autos, Trucks & Parts	18.2	0.9	0.9
Aerospace	0.0	0.0	0.6
Fabricated Metals	25.0	0.9	3.2
Stone, Clay & Glass	7.7	0.0	2.6
Other Durables	20.0	0.5	3.2
Instruments	12.5	1.0	1.7
TOTAL DURABLES	21.4	1.0	2.7
Chemicals	8.9	0.9	1.7
Paper & Pulp	15.4	0.8	5.3
Rubber	28.6	0.8	8.2
Petroleum	15.0	0.0	7.7
Food & Beverages	19.0	0.2	2.3
Textiles	40.9	0.0	2.5
Other Nondurables	0.0	0.0	0.4
TOTAL NONDURABLES	17.6	0.4	4.4
ALL MANUFACTURING	19.6	0.7	3.5
Mining	23.1	4.1	4.8
Railroads	16.7	0.0	1.4
Airlines	0.0	0.0	0.0
Electric Utilities	0.0	0.0	0.0
Gas Utilities	17.6	0.0	0.0
Communications & Other	29.4	0.0	0.8
Commercial	12.5	1.2	2.3
ALL NONMANUFACTURING	12.2	0.8	1.5
ALL BUSINESS	17.3	0.7	2.4

NOTE: The survey, conducted in January and February, asked firms whether their 1981 and 1982 capital spending plans already reflected an assumed business tax cut, effective in mid-1981. The percent of firms responding "yes" is given in the first column. Firms that had not built a tax cut assumption into their plans were asked by what percent they would increase those plans if business taxes were cut at midyear. These are the answers in columns 2 and 3. Since the survey was mailed before President Reagan's Feb. 18 speech containing the Administration's tax proposals, no specific form of tax cut was stated in the survey question.

TABLE IV

CASH FLOW

INDUSTRY	Percent Change 1979-80 Estimated	Percent Change 1980-81 Expected
Iron & Steel	- 9.7%	9.1%
Nonferrous Metals	- 3.1	7.7
Electric Machinery	16.6	17.1
Machinery	11.9	25.5
Autos, Trucks & Parts	-45.3	93.3
Aerospace	18.3	7.3
Fabricated Metals	1.2	8.9
Stone, Clay & Glass	- 4.8	4.0
Other Durables	4.0	15.2
Instruments	9.5	12.0
TOTAL DURABLES	- 0.2	26.9
Chemicals	- 2.6	13.8
Paper & Pulp	0.8	8.9
Rubber	- 7.5	20.5
Petroleum	17.6	12.5
Food & Beverages	29.9	27.6
Textiles	- 0.9	12.8
Other Nondurables	20.2	17.2
TOTAL NONDURABLES	11.6	15.1
TOTAL MANUFACTURING	5.6	21.1
Mining	25.5	19.2
Railroads	6.8	15.3
Airlines	- 6.0	56.2
Electric Utilities	4.4	18.3
Gas Utilities	9.3	17.0
Communications & Other	13.9	13.4
Commercial	0.7	16.9
ALL NONMANUFACTURING	7.5	17.4
ALL BUSINESS	6.7	19.0

NOTE: Cash flow is defined in this survey as change in retained earnings plus depreciation charges.

TABLE V

INTERNAL VS. EXTERNAL FINANCING

INDUSTRY	% of Capital Expenditures: Financed Internally 1980 (Estimated)	Financed Internally 1981 (Expected)	Financed Externally 1980 (Estimated)	Financed Externally 1981 (Expected)
Iron & Steel	79.0%	81.8%	21.0%	18.2%
Nonferrous Metals	94.9	70.1	5.1	29.9
Electric Machinery	89.6	97.5	10.4	2.5
Machinery	64.5	77.4	35.5	22.6
Autos, Trucks & Parts	98.6	99.4	1.4	0.6
Aerospace	99.8	99.2	0.2	0.8
Fabricated Metals	82.3	77.1	17.7	22.9
Stone, Clay & Glass	84.7	81.0	15.3	19.0
Other Durables	74.2	75.9	25.8	24.1
Instruments	85.9	86.0	14.1	14.0
TOTAL DURABLES	84.0	86.5	16.0	13.5
Chemicals	82.5	80.1	17.5	19.9
Paper & Pulp	73.6	73.1	26.4	26.9
Rubber	85.7	84.1	14.3	15.9
Petroleum	90.0	77.4	10.0	22.6
Food & Beverages	80.6	80.3	19.4	19.7
Textiles	93.0	71.9	3.0	28.1
Other Nondurables	98.2	86.5	1.8	13.5
TOTAL NONDURABLES	86.0	78.9	14.0	21.1
ALL MANUFACTURING	85.0	82.8	15.0	17.2
Mining	64.6	72.8	35.4	27.2
Railroads	58.2	65.6	41.8	34.4
Airlines	29.9	52.0	70.1	48.0
Electric Utilities	27.5	30.3	72.5	69.7
Gas Utilities	75.9	66.2	24.1	33.8
Communications & Other	67.7	70.7	32.3	29.3
Commercial	75.3	83.8	24.7	16.2
ALL NONMANUFACTURING	62.0	67.4	39.9	32.6
ALL BUSINESS	71.9	74.0	28.1	26.0

NOTE: Firms were asked to give the percent of capital expenditures financed with internal funds; but if financing for capital projects could not be broken out from total financing needs, firms were asked to state the percent of total financing done internally.

TABLE VI

EXTERNAL FINANCING

WHERE FIRMS EXPECT TO OBTAIN EXTERNAL FUNDS IN 1981

	---% Companies Indicating Their Main Source Will Be:--					
INDUSTRY	Banks	Bond Market	Commercial Paper	Insurance Companies	New Stock	Other
Iron & Steel	50%	10%	40%	0%	0%	0%
Nonferrous Metals	40	20	40	0	0	0
Electrical Machinery	50	0	20	0	0	30
Machinery	40	20	12	4	12	12
Autos, Trucks & Parts	67	0	0	17	17	0
Aerospace	100	0	0	0	0	0
Fabricated Metals	39	46	0	8	0	8
Stone, Clay & Glass	38	13	0	38	0	13
Other Durables	42	29	8	0	0	21
Instruments	46	27	0	0	0	27
TOTAL DURABLES	45	21	11	6	3	14
Chemicals	30	44	13	9	0	4
Paper & Pulp	25	50	25	0	0	0
Rubber	70	20	0	10	0	0
Petroleum	17	75	8	0	0	0
Food & Beverages	58	8	8	0	8	17
Textiles	80	7	7	7	0	0
Other Nondurables	67	11	11	0	11	0
TOTAL NONDURABLES	48	32	10	5	2	3
ALL MANUFACTURING	47	26	11	5	3	9
Mining	71	0	14	0	0	24
Railroads	33	11	0	11	0	44
Airlines	17	0	0	0	17	67
Electric Utilities	14	64	2	0	17	2
Gas Utilities	7	53	13	13	7	7
Communications & Other	60	30	0	0	0	10
Commercial	39	22	22	6	0	11
TOTAL NONMANUFACTURING	26	40	8	4	8	13
ALL BUSINESS	40	31	9	5	5	10

TABLE VII

SAMPLE SIZE

INDUSTRY	% of Capital Spending By Companies in the Survey Sample
Iron & Steel	80.7%
Nonferrous Metals	35.2
Electrical Machinery	33.6
Machinery	21.6
Autos, Trucks, & Parts	84.3
Aerospace	17.8
Fabricated Metals	7.4
Stone, Clay, & Glass	31.3
Other Durables	24.8
TOTAL DURABLES	37.3
Chemicals	53.6
Paper & Pulp	21.7
Rubber	32.8
Petroleum	83.2
Food & Beverages	20.2
Textiles	23.8
Other Nondurables	20.0
TOTAL NONDURABLES	51.0
ALL MANUFACTURING	44.0
Mining	7.1
Railroads	64.7
Airlines	40.5
Electric Utilities	51.2
Gas Utilities	41.2
Communications & Other	47.6
Commercial	6.8
ALL NONMANUFACTURING	30.0
ALL BUSINESS	36.0